



# UNIVERSITY OF HAWAII SYSTEM

## Legislative Testimony

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Testimony Presented Before the  
House Committee on Higher Education  
Tuesday, February 17, 2015 at 2:00 p.m.

by

Kathy Cutshaw  
Vice Chancellor for Administration  
University of Hawai'i at Mānoa

### HB 1509 HD1 – RELATING TO ENERGY

Chair Choy, Vice Chair Ichiyama, and Members of the Committee:

The University of Hawai'i generally supports HB 1509 HD1, which seeks to establish a special fund to fund both net-zero energy efficiency projects and deferred maintenance projects throughout the University system, through the energy savings of such projects.

At a high level, this bill appropriates an initial amount of general funds and authorizes the University to secure third-party financing to design and construct specific deferred maintenance projects that have energy efficiency and renewable energy opportunities at its Mānoa and Hilo campuses. Any energy savings associated with these projects gets deposited into the net-zero special fund, to pay the debt service. The university would like to see this bill return to the language of the early draft that establishes that any savings realized beyond the satisfaction of the debt service, are also paid into the special fund to support future energy reducing and renewable energy projects for the campuses. The university also supports a portion of those savings to be returned for student scholarship. The bill specifically provides that any debt service incurred by the University for these projects shall not exceed the projected energy savings. Management and accountability for the revenues and expenditures of this fund will be reported annually.

The University faces significant challenges with both high energy expenses and an escalating backlog of deferred capital maintenance. As such, we generally support HB 1509 HD1 because it provides much needed general fund capital to partly address some of the deferred maintenance projects on our campuses.

However, we are still evaluating the benefits of the financing model set forth in the bill. For example, we are reviewing the language in 304A-B(c), which defines the formula for calculating the energy savings that gets deposited into the special fund. More specifically, we would like to ensure that adequate safeguards are in place to protect the University from actually experiencing annual energy savings that are less than the cost of financing.

The bill's language would more accurately support the intent of the bill if the definition of Net Zero were, "...*producing as much renewable energy as the system consumes...*". The bill could improve the overall condition of the University if that flexibility could be incorporated into the bill by, for example, replacing the term "shall" with "may" in Section 304A-B(c).

Finally, from a technical standpoint, we will need to ensure that the creation of a special fund will meet the self-sustaining criteria as defined Hawai'i Revised Statutes, Section 37-52.3(4). We are confident that the energy fund concept is viable when addressing stand-alone energy projects. It is not as clear, however, that the financial model is successful when combining an energy saving component within a larger CIP project. The University has not yet been able to establish this financial approach ensures that the fund will be self-sustaining over time.

In closing, the University generally supports the purpose and intent of HB 1509 HD1. We look forward to working out the details of the financing model, and any related project figures, with the committee.

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON HIGHER EDUCATION  
ON  
HOUSE BILL NO. 1509, H.D. 1

February 17, 2015

RELATING TO ENERGY

House Bill No. 1509, H.D. 1, requires the University of Hawaii (UH) to establish a goal of becoming net-zero regarding energy use by January 1, 2035. It is the intent of the bill to reduce energy costs preventing energy-related tuition increases and aggregating energy efficiency and deferred maintenance projects to save capital improvement funding. The bill creates the UH Net-Zero Special Fund that would generate revenues through legislative appropriations, energy consumption savings, and other sources. The special fund would be used for net-zero related capital improvements program projects in conjunction with the Green Energy Market Securitization program of the State Energy Office. The bill appropriates unspecified sums of general funds for FY 16 and FY 17 for deposit into the special fund and an unspecified sum of special funds for FY 16 for energy retrofit projects at UH Manoa and UH Hilo. The bill authorizes the issuance of general obligation (G.O.) bonds from the Director of Finance for net-zero related projects, and provides an unspecified appropriation for this purpose for FY 16. The bill also appropriates unspecified sums of general funds for FY 16 and FY 17 to pay for two positions to provide financial and technical support for UH's net-zero efforts.

While the Department of Budget and Finance understands the importance of becoming energy efficient, as a matter of general policy, the department does not support the creation of special funds which do not meet the requirements of

Section 37-52.3, HRS. Special funds should: 1) serve a need as demonstrated by the purpose, scope of work and an explanation why the program cannot be implemented successfully under the general fund appropriation process; 2) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries or a clear link between the program and the sources of revenue; 3) provide an appropriate means of financing for the program or activity; and 4) demonstrate the capacity to be financially self-sustaining. In regards to this bill, it is difficult to determine whether the proposed special fund will be self-sustaining.



DAVID Y. IGE  
GOVERNOR

LUIS P. SALAVERIA  
DIRECTOR

MARY ALICE EVANS  
DEPUTY DIRECTOR

## DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT & TOURISM

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Statement of  
**LUIS P. SALAVERIA**  
**Director**

Department of Business, Economic Development, and Tourism  
before the  
**HOUSE COMMITTEE ON HIGHER EDUCATION**

Tuesday, February 17, 2015  
2:00 p.m.  
State Capitol, Conference Room 309

in consideration of  
**HB 1509, HD1**  
**RELATING TO ENERGY.**

Chair Choy, Vice Chair Ichiyama, and Members of the Committee.

The Department of Business, Economic Development & Tourism (DBEDT) offers testimony in support of HB 1509, HD1 with requested amendments, which establishes a University of Hawaii (UH) collective goal of becoming Net-Zero with respect to energy use by 2035 and establishes a Special Fund for the purpose. It further appropriates from the Special Fund monies for capital improvement projects and supporting staff to fulfill the goal.

DBEDT supports the purpose of this legislation as it is consistent with the State's overall clean energy objectives. However, the Green Infrastructure Loan Program (GEMS Program) has a responsibility to utilize GEMS Program funds prudently and efficiently in order to create a self-sufficient financing program. As such, the Program must have the flexibility to allocate funds and use discretion when evaluating distribution of funds, in order to quickly distribute money that supports economically viable projects while ensuring portfolio diversification and offsetting risk. In its current form, HB1509, HD1 hampers the Program's ability to deploy funds.

To keep consistent with this required flexibility, DBEDT proposes the following amendments:

- Page 4 Lines 9-20:

~~“(3) In conjunction with financing that meets the requirements of subsection (c), whose debt service shall not exceed energy savings-~~ mechanisms as approved through:

(A) ~~The~~ A green infrastructure loan energy market securitization program order,  
pursuant to section 269-171, of the state energy office of the department of business,  
economic development, and tourism; or

(B) Comparably-priced energy-savings financing ~~mechanisms~~ products to pay for  
 facility upgrades that advance the goal set forth in section 304A-A(a).

(c) For each capital improvement project funded through the special fund in conjunction with financing mechanisms in 304A-B(b)(3), the University of Hawaii shall annually deposit into the special fund the current value of the energy. . .”

- Page 7 Lines 7-11:

~~“funded through the green energy market securitization program of the state energy office of the department of business, economic development, and tourism or a comparably lower-priced financing mechanism~~ financing mechanisms in 304A-B(b)(3); and”

- Page 7 Lines 15-19:

~~“funded through the green energy market securitization program of the state energy office of the department of business, economic development, and tourism or a comparably lower-priced financing mechanism~~ financing mechanisms in 304A-B(b)(3).”

- Page 8 Lines 4-8:

~~“funded through the green energy market securitization program of the state energy office of the department of business, economic development, and tourism or a comparably lower-priced financing mechanism~~ financing mechanisms in 304A-B(b)(3); and”

- Page 8 Lines 12-16:

~~“funded through the green energy market securitization program of the state energy office of the department of business, economic development, and tourism or a comparably lower-priced financing mechanism~~ financing mechanisms in 304A-B(b)(3).”

DBEDT encourages UH to discuss business plans for energy upgrades with the staff of the Hawaii Green Infrastructure Authority and the Hawaii State Energy Office in order to determine the most appropriate and economical use of GEMS funds. DBEDT defers to the University of Hawaii on the implementation of this measure.

Thank you for the opportunity to offer this testimony in support of HB 1509, HD1 with requested amendments.

## ichiyama2-Brandon

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**From:** mailinglist@capitol.hawaii.gov  
**Sent:** Monday, February 16, 2015 1:25 PM  
**To:** HEDtestimony  
**Cc:** ahuntemer@aol.com  
**Subject:** Submitted testimony for HB1509 on Feb 17, 2015 14:00PM

### **HB1509**

Submitted on: 2/16/2015

Testimony for HED on Feb 17, 2015 14:00PM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Angela Huntemer	Individual	Support	No

Comments: Aloha Chair, Vive Chair and Committee Memebbers, As a Graduate Alumni of UH Manoa and mother of two boys, it is very important that UH to establish collective goal of becoming net-zero with respect to energy use by January 1, 2035. Please establishes the University of Hawaii Net-zero Special Fund. Appropriates funds for capital improvement projects and for staff. (HB1509 HD1) This is a WIN WIN for everyone. Mahalo, Angela Huntemer, North Shore O'ahu.

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**LATE**

Tuesday, February 17, 2015

Relating to House Bill 1509, House Draft 1  
Testifying in Support

Aloha, Chair Choy, Vice Chair Ichiyama, and Members of the House Committee on Higher Education,

The Democratic Party of Hawaii supports HB1509 HD1, Relating to Energy, which requires the University of Hawaii to establish a collective goal of becoming net-zero with respect to energy use by January 1, 2035, establishes the University of Hawaii Net-Zero Special Fund, and appropriates funds for capital improvement projects and staff.

The University of Hawaii has long been burdened with high energy costs and delays in essential maintenance. This bill provides appropriations from the General Fund to alleviate some of the maintenance demands while also promoting Hawaii renewable energy goals.

Establishing a sustainable fund to satisfy maintenance demands and renewable energy retrofits will benefit the university and the state for years to come. This model, when successful, can be looked to as a template for maintenance and retrofitting of public facilities across the islands.

Sustainability for Hawaii is a strongly held view of the Democratic Party of Hawaii – agriculture, environmental resources, and energy production and consumption being among the most critical. HB1509 HD1 creates a model for the state to achieve its energy sustainability goals.

Thank you for this opportunity to testify,  
The Legislation Committee of the Democratic Party of Hawaii

## ichiyama2-Brandon

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### **HB1509**

Submitted on: 2/16/2015

Testimony for HED on Feb 17, 2015 14:00PM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Denise Antolini	Individual	Support	No

Comments: Dear Chair Choy, Vice Chair Ichiyama, and Members of the Committee, I write in strong SUPPORT of HB1509. I am the Associate Dean for Academic Affairs at the William S. Richardson School of Law where my kuleana includes facilities issues; I have also practiced and taught environmental law in Hawaii for 25 years. However, I am writing this testimony in my individual capacity. This bill offers a framework for a "big idea" whose time has come. The University -- one of the top energy consumers in the state -- should be leading the way on reducing its utility bill and ensuring campus sustainability. By giving UH and its students, faculty, and staff the capacity, incentive, and vision for the long-term, with strong targets, the Legislature can play a vital role in helping UH get ahead of the energy cost curve. Please support HB1509 and keep this innovative bill moving. Thank you for the opportunity to testify.

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## ichiyama2-Brandon

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### **HB1509**

Submitted on: 2/17/2015

Testimony for HED on Feb 17, 2015 14:00PM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Bobby-John Campbell	Individual	Support	No

### Comments:

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ichiyama2-Brandon

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**HB1509**

Submitted on: 2/17/2015

Testimony for HED on Feb 17, 2015 14:00PM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
KEANI RAWLINS-FERNANDEZ	Individual	Support	No

Comments:

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ichiyama2-Brandon

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**HB1509**

Submitted on: 2/17/2015

Testimony for HED on Feb 17, 2015 14:00PM in Conference Room 309

Submitted By	Organization	Testifier Position	Present at Hearing
Janice Ringler	Individual	Support	No

Comments: I am a student at UH Manoa and I strongly support this bill to help my generation and future generations be net-zero.

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